

## INFORMATION REPORT

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1. In February and March the city of Foochow underwent an economic crisis, partially caused by the Nationalist blockade which had effectively stopped foreign trade and greatly reduced coastal shipping, activities which normally support one-third of the city's population. Widespread unemployment and pilfering developed in the city.
2. There were serious shortages with resulting high prices of commodities not produced locally in sufficient quantities, such as rice, wheat flour, and sugar. Earnings failed to increase in proportion to prices, and workers were paid in rice, the quantity being sufficient only for one person. Even persons considered wealthy before the Communist occupation of the area had difficulty securing essential commodities.
3. Foreign businessmen were leaving the city, as were many Chinese merchants who either emigrated to Hong Kong or entered the Philippines illegally. Thus, the sources of funds needed to finance imports and new production quickly dried up. Loans from pawn shops were difficult to obtain because cash was short and because owners of the shops hesitated to accumulate a large supply of articles in view of anticipated riots.
4. Poor harvest prospects increased the general deterioration and nullified the efforts of the city authorities to ease the situation by sending the poor into the surrounding rural areas. Rural conditions were made worse by the presence of Communist troops, although they helped the peasants and paid for the materials they consumed.
5. In early April the food situation began to improve as a result of new crops in the interior and the repair of transportation facilities. Rice, flour, sugar, pork, beef, and peanut and other vegetable oils reappeared in the markets. However, purchases were limited by the shortage of cash circulating in the city. The prices of rice, salt, pork, beef, and electricity rose sharply in February and dropped sharply in April, but still remained higher than the January level of prices, except for pork, which dropped to the January level.

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6. Traders maintained secret radio contact with Hong Kong, and, despite the blockade, trade with Hong Kong was reopened, and the value of the Hong Kong dollar increased. The presence of bananas on the markets indicated that smuggling was taking place between the mainland and Taiwan although Nationalist and Communist governments tried to prevent smuggling. Black market rates continued about equal to official rates for currency, and at times even fell below them. On 22 April, exchange rates were as follows:

1 oz. of gold	JMP 1,250,000
1 US dollar	JMP 39,000
1 HK dollar	JMP 6,000
1 silver dollar (coin)	JMP 20,000

7. Despite the unstable economic situation in the city of Foochow and in Fukien Province, no organized political opposition to the Communists appeared in February, March, and April. Communist propaganda continues to be effective among the younger generation, who are loyal to the Party. Residents believe in a final Communist military victory, but delay in the invasion of Taiwan has lowered morale. In February, at the peak of the economic crisis, people were wavering in their loyalty to the Party, Party discipline was weakening, corruption of authorities was becoming evident, and conversion to Communism was becoming more difficult. An old separatist movement remained which Foochow residents say may demand local autonomy for the province if the Communists are unable to provide a substitute for trade with Western nations.
8. Businessmen have remained aloof from Party and governmental affairs, and have been hostile when asked to support the Party financially. Peasants have not been cooperative with the authorities, and the agrarian problem was not solved by issuing land to tenant farmers, since they did not have the money for seeds, fertilizers and other necessary equipment. Banditry and guerrilla activity still add to the difficulties of the government. Blame for the poor local and national conditions has fallen upon the shoulders of the Communists.
9. Most of the military activity in the province has been centered in the southern section, around Amoy. The guerrilla activity which occurred on the outskirts of Foochow, locally believed to be supported by the Nationalists,\* has resulted in Communist plans to eliminate guerrillas and to dispose of questionable persons. No large military forces are now stationed in Foochow, the regular police force having been sufficient to maintain order. Some transient troops were temporarily located in the city in April.\*\* Soviets have been entering and leaving the ports of the province, but their business is not known.

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\* ~~Comment~~. Specific accounts of guerrilla engagements are contained in ~~\_\_\_\_\_~~.

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\*\* ~~Comment~~. Military activities developing in Fukien during April 1950 are discussed in ~~\_\_\_\_\_~~

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